DOCUMENT RESUME

ED 394 677 PS 024 086

AUTHOR Cutler, Ira M.
TITLE The Role of Finance Reform in Comprehensive Service Initiatives.
INSTITUTION Finance Project, Washington, DC.
PUB DATE Oct 94
NOTE 30p.; Paper presented at the Roundtable on Financing for Education and Other Services for School-Age Children (Washington, DC, October 12-14, 1994).
AVAILABLE FROM The Finance Project, 1341 G St., N.W., Washington, DC 20005.
PUB TYPE Reports - Descriptive (141) -- Speeches/Conference Papers (150)

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS Budgets; Community; Economic Factors; Educational Economics; *Educational Finance; Federal Aid; *Finance Reform; Financial Support; *Fiscal Capacity; Government Role; *Integrated Services; State Aid
IDENTIFIERS California; Colorado; *Financial Analysis; Iowa; Kentucky; Local Control; Localization (Administrative); Local Planning and Assessment Process; Local Planning and Budgeting Model; Maryland; Minnesota; Missouri; New Jersey; New York; Oregon; *Reform Efforts; Tennessee; Texas; Virginia; West Virginia; Wisconsin

ABSTRACT

The well-being of a large portion of American children is distressingly low. Integrated service delivery--which provides the broadest range of education, health, housing, and social services--is viewed as one way to remedy the failure of public and private institutions to deliver effective services that can ameliorate or reverse these problems and conditions. This paper focuses on exemplary examples of community-based comprehensive service initiatives (CCBSS) in five pertinent areas: (1) restructuring intergovernmental relationships in California (Bill 1741), Iowa (Decategorization), Virginia (Comprehensive Services Act), Wisconsin (Community Aids), and Tennessee (Children's Plan); (2) tying outcome accountability to budgets in Oregon and in Minnesota; (3) efforts to create cross-system decision making bodies in Georgia (Savannah Youth Futures Authority), Missouri (Family Investment Trust), and West Virginia (Governor's Cabinet on Children and Families); (4) linking education with human services in Colorado (Family Resource Schools), California (Healthy State initiative), New Jersey (school-based services program), California (San Diego's New Beginnings program), New York (Beacons program in New York City), and Kentucky (Kentucky Education Reform Act); and (5) building comprehensive services at the neighborhood level in Maryland (Lafayette Courts, Baltimore project services team), New York (Brooklyn Center for Family Life program, and the South Bronx CCRP: Comprehensive Community Revitalization Project), and Texas (Austin's Empowerment Zones programs). The paper concludes with observations and conclusions. (ET)

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THE ROLE OF FINANCE REFORM IN COMPREHENSIVE SERVICE INITIATIVES

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THE FINANCE PROJECT

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THE ROLE OF FINANCE REFORM IN COMPREHENSIVE SERVICE INITIATIVES

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By Ira M. Cutler

Prepared for
THE FINANCE PROJECT
1341 G Street, NW
Washington, DC 20005
202-628-4200
Fax: 202-628-4205

THE FINANCE PROJECT

PREFACE

Public financing for education and an array of other children's services has become a topic of significant interest and political concern. Growing skepticism among a critical mass of American voters and taxpayers has fueled doubts about the ability of government to solve social problems and provide basic supports and services that enhance the quality of life in their communities. Many believe government is too big; it's too expensive; and it doesn't work very well. Despite steadily increasing public expenditures for health, education, welfare, human services, and public safety over the past two decades, seemingly intractable problems persist. Nearly a quarter of U.S. children are poor and live in families and communities that are unable to meet their basic needs. Schools have become increasingly expensive. But student achievement hasn't matched the rising costs, and drop-out rates remain unacceptably high. Health care costs continue to go up. Yet, many Americans can't get the services they need, and with each passing year their health care dollars buy less. Criminal justice demands a dramatically increasing share of public dollars--for police officers and judges and jails--but neighborhood streets aren't safer.

Voters have spoken clearly. They want more for their money. They have called for more and better services, but they also have demanded balanced budgets and cuts in income and property taxes. In this time of big public deficits, they want government at all levels to operate more effectively and efficiently. They also want it to invest wisely and live within its means.

Across the country, there is mounting evidence of efforts to reform and restructure education and other community supports and services in order to improve the lives and future prospects of children and their families. Critical to the success of these initiatives are the ways in which they are financed. How revenues are generated and how funds are channeled to schools, human service agencies, and community development initiatives influences what programs and services are available. Financing determines how services are provided and who benefits from them. It also affects how state and local officials define investment and program priorities, and it creates incentives that guide how educators, other service providers, and community volunteers do their jobs. For these reasons, financing fundamentally affects how responsive programs and institutions are to the needs of the people and communities they are in business to serve.

In recent years, several blue ribbon commissions and national task forces have presented ambitious prescriptions for reforming and restructuring the nation's education, health, and human service systems in order to improve outcomes for children. While some have argued that public financing and related structural and administrative issues are critical to efforts to foster children's healthy development and school success, none has been framed for the specific purpose of inventively reconceptualizing public financing. Indeed, many of the most thorough and thoughtful reports have called for an overlay of new funds, but have neglected to provide cogent analyses of effective financing strategies, the costs of converting to these approaches, and the potential beneficial outcomes that might accrue from addressing financing reform as an integral aspect of program reform.

In addition, the past several years have witnessed a burgeoning of experimental efforts by mayors and city managers, governors and state agency directors, legislators and council members, program managers and school officials to make government work better and more efficiently. They have been enhanced by the work of people outside of government, including foundation executives, business and labor leaders, community organizers, and academic scholars. Some are creating new ways to raise revenues, manage schools, deliver human services, and spur community economic development. Others are designing new public governance and budgeting systems. Still others are developing and testing new approaches to more directly involve citizens in setting public priorities and maintaining accountability for public expenditures. Taken together, these efforts suggest the nascent strands of new and improved public financing strategies.

Against this backdrop, a consortium of national foundations established The Finance Project to improve the effectiveness, efficiency, and equity of public financing for education and an array of other community supports and services for children and their families. Over a three-year period that began in January 1994, The Finance Project is conducting an ambitious agenda of policy research and development activities, as well as policymaker forums and public education. The aim is to increase knowledge and strengthen the capability of governments at all levels to implement strategies for generating and investing public resources that more closely match public priorities and more effectively support improved education and community systems.

As a part of its work, The Finance Project produces a series of working papers on salient issues related to financing for education and other children's services. Some are developed by project staff; others are the products of efforts by outside researchers and analysts. Many are works in progress that will be revised and updated as new information becomes available. They reflect the views and interpretations of the authors. By making them available to a wide audience our intent is to stimulate new thinking and induce a variety of public jurisdictions, private organizations, and individuals to examine the ideas and findings they present and use them to advance their own efforts to improve public financing strategies.

This paper, *The Role of Finance Reform in Comprehensive Service Initiatives*, was prepared by Ira M. Cutler, Partner in The Cornerstone Consulting Group, Inc. It was presented at the Roundtable on Financing for Education and Other Services for School-Age Children, convened by The Finance Project, October 12-14, 1994. It examines the strategies for financing a variety of community-based comprehensive service initiatives across the country with special attention to their applicability to major systems change. In addition, it highlights a number of issues that decision makers will have to address in their efforts to successfully create comprehensive systems that link education and other children's services and strengthen community supports outside the mainstream of categorical services.

Cheryl D. Hayes
Executive Director

ABOUT THE AUTHOR

Ira M. Cutler is a Partner with the Cornerstone Consulting Group, Inc. He was formerly the Director of Planning and Development at the Annie E. Casey Foundation.

SOME EARLIER THOUGHTS

On integrating services and streamlining decision-making

The accumulation of all powers legislative, executive, and judiciary in the same hands, whether of one, few or many, and whether hereditary, self-appointed, or elective, may justly be pronounced the very definition of tyranny. -- James Madison, 1788

The way to have a good and safe government is not to trust it all to one, but to divide it among the many. -- Thomas Jefferson, 1816

No one is a warmer advocate for proper restraints and wholesome checks in every department of government than I am; but I have never been able to discover the propriety of placing it absolutely out of the power of men to render essential services, because a possibility remains of their doing ill. -- George Washington, 1787

On accountability

It's a terribly hard job to spend a billion dollars and get your money's worth. --
George Humphrey 1954

Before we give you billions more, we want to know what you've done with the trillion you've got. -- Les Aspin, 1985

On reform

It is one of the happy incidents of the federal system that a single courageous state may, if its citizens choose, serve as a laboratory, and try moral, social, and economic experiments without risk to the rest of the country. -- Louis Brandeis, 1926

If you rebel against high heeled shoes, take care to do it in a very smart hat. --
George Bernard Shaw, 1937

INTRODUCTION AND SOME PREMISES

By any measurement the well-being of a large portion of American children is distressingly low. This paper need not repeat the litany of statistics--the infant mortality, poverty, crime, school dropout, and teen pregnancy rates--which is known so well. It suffices to say that in many communities the plight of children is of tragic proportions and is a national and local disgrace.

Many observers and commentators have argued that these rates of poverty, abuse, and addiction come in part as a result of the failure of public and private institutions to deliver effective services, i.e., services that would reverse or at least ameliorate these problems and conditions.

The most often articulated critique of the various forms and types of "service delivery"--used here to include the broadest range of education, health, housing, and social services--focuses on six primary weaknesses:

- There simply are not sufficient resources available to support the level of intervention necessary to effectively help large numbers of children and their families. This point of view argues for placing a higher priority on children and families and for increased resources.
- Many children and their families are beset by multiple problems, and this is increasingly the case in particularly troubled communities. To be more effective, services must be delivered more comprehensively. This point of view argues for more holistic and less fragmented service delivery.
- Too much of the community's and the nation's resources are tied up in service delivery that intervenes only when problems have reached a level of severity that makes them extremely difficult to address effectively. This point of view argues for earlier intervention, prevention, and increased positive attention and support for children at earlier ages.
- Too much of existing service delivery views the individual child as the target and that "individual focused" service delivery underemphasizes the importance of a child's family and of the larger community in which they live. This point of view argues for intervention at a family and at a whole community level.
- Services are often ineffective because they are designed, delivered, controlled, and evaluated by individuals and groups who are socially and culturally distant from those served, and who put the needs of the service delivery system above the needs of those it was established to help. This point of view argues for a change in the governance of service delivery systems.
- Finally, public officials and administrators are only held accountable, if held accountable at all, for how well the service delivery system accounts for funds, follows regulations, and stays away from scandal, and too rarely are they held accountable for the impact the services have on those served. This point of view argues for evaluation systems, governance mechanisms, and funding strategies that hold service delivery systems accountable for the progress of participants toward clear and measurable goals.

None of the above is necessarily in conflict with another and, in fact, most readers of this paper will embrace with some level of enthusiasm all six of these propositions. For the sake of this paper all six "reform principles" will be taken as givens.

The paper will focus on efforts around the country, sometimes identified as "comprehensive reform initiatives" and/or projects, which have been created to address the weaknesses of existing service delivery systems. This is an early paper in The Finance Project's work. It does not seek to be the final word on comprehensive reform, on financing

reform, or on the relationship between them. Rather it is an attempt to get down on paper what seems to be happening, so that discussions and debates can begin to take shape.

We have looked particularly at those initiatives that have gained some amount of attention and recognition and have been seen as "cutting edge" It should be noted that many of these efforts are still fairly early in their development--the description of their goals for the future is sometimes more far reaching than their accomplishments to date. And few have yet had time to solidify the gains already made. We have tried to ascertain, in a brief review, what these efforts have brought to the "finance question(s)":

- Is the financing of services a barrier to reform?
- Is reformed finance part of the agenda?
- Is it necessary and has it been possible to reform financing to meet the goals?

Projects/initiatives that were reviewed were those recommended by persons knowledgeable in the field. Written materials were reviewed and were found to be quite uneven in their discussion of financing matters. Telephone contacts were made to further acquaint us with each project's goals and progress.

It is altogether likely that some efforts, perhaps some of which have made important gains, have been overlooked in this initial paper. The Finance Project would greatly appreciate hearing about such efforts. Finally, we did not have the time to get back to everyone, to confirm all the project details, and we regret any inadvertent distortion of an effort.

COMPREHENSIVE REFORM AND FINANCE REFORM

Fully aware of the irony, we have created categories of comprehensive reform efforts based on what changes they are trying to achieve; it proved irresistible. Most of the efforts we reviewed fall into five such groupings, although not very neatly. In most instances, while the categorization below helped by highlighting the critical issue that the effort emphasizes, the most comprehensive efforts see all reform as being part of a whole. That said, we are looking at reform efforts that focus on:

- restructuring intergovernmental relationships
- tying outcome accountability to budgets
- creating new cross-system decision-making bodies
- linking education with human services
- building comprehensive services at a neighborhood level

Each "category" will be discussed in turn, followed by a discussion of the relationship between comprehensive reform initiatives and finance reform.

Efforts to Restructure Intergovernmental Relationships

In a single community, a given child, and particularly a low income child, may fall under the jurisdiction of a number of legally autonomous public entities. The staff of the school district report to an elected board of education. The police, who focus on juvenile delinquency, work for a public safety board appointed by the city's mayor. The juvenile court judge is independently elected. The child welfare agency is an arm of state government. The health department is a regional agency governed by appointed members who are responsible to a state board of health. The private industry council, appointed by the governor and functioning primarily under federal regulations, covers two counties and is responsible for youth employment programming.

No two agencies report to the same electorate, and the geographical areas served are rarely coterminous. Two problems emerge clearly: coordinated planning and delivery of services to either individual children or the community at large are unlikely if not impossible; and no agency and no public official can be held accountable for the well-being of the community's children.

Some reform efforts and some reform thinking seek to improve on the status quo by changing the relationships between the existing governmental actors as regards financing and decision-making. These "federalist" discussions are, quite literally, older than the country itself. The estimated 82,000 governmental entities in the United States that have the power to tax and spend bump into one another like tectonic plates, create friction and disruption, and spend an enormous amount of their resources reporting to each other, monitoring each other, and often despising each other.

In the Johnson years we saw the first federal entry into public education and a massive entry into health and social services. While creating endless social good, the Great Society also created endless complexity. The Nixon Administration tried to make it simpler by collapsing programs into block grants such as Title XX, by the federal assumption of the costs of Supplemental Security Income (SSI), and by the invention of revenue sharing. The Reagan Administration discussed but did not implement a swap of federal assumption of Medicaid costs for state assumption of Aid to Families with Dependent Children (AFDC) and Food Stamps.

One recurring thread in the intergovernmental discussion is to call for simplification of the relationship(s). Alice Rivlin, for example, proposed (in 1992) "dividing the job" which, among other things, has the federal government eliminating most of its programs in education, housing, highways, social services, economic development, and job training while taking greater responsibility for health care. David Osborne calls for similar reshuffling and for the devolution of 100 grant programs and the transformation of 400 more (including Medicaid, AFDC, and unemployment insurance) into "challenge grants". These would not only offer greater state and local flexibility but also pay larger grants to state and local governments that did the best at meeting performance standards based on results.

We are aware of no current major federal initiative focused explicitly on altering the balance of federal/state/local responsibility and financing for family and children's services, although health care reform is rife with questions of who will pay for what. Most service

system discussion centers around an increased federal willingness to allow states and localities the flexibility to follow individualized strategies, with much of the flexibility expressed in an openness to granting waivers of nonstatutory federal restrictions. Increased federal interagency cooperation is often stressed, with a particular emphasis on connections between Housing and Urban Development (HUD) programs, public education, and the health/social service/public safety world.

New funding--for Family Support/Family Preservation, Empowerment Zones, Head Start--has frequently carried with it a federal government message that collaboration is important, and new initiatives have attempted to create the setting for increased communication and coordination. But the new funding has not lifted the restrictions placed on the old, and it seems to some observers as though, ironically, comprehensive service has itself become a "new category." Meanwhile, the state-to-local discussion, a mirror image of the federal-to-state, has produced a number of efforts to change that relationship, most often represented by a plan to delegate increasing responsibility to local governments.

We looked at efforts in five states to alter the state/local relationship:

California's 1741

Following the California tradition of naming things after bill numbers, 1741 is legislation that permits a number of pilot counties to use state dollars more flexibly. Counties are submitting strategic plans, developed in cross-agency community planning processes, with state selection to occur later this fall. Following California's recent "realignment" of responsibilities, 1741 shifts the primary responsibility for a number of health and welfare programs from the state to the counties. This shift moves more than $2 billion in annual financing responsibility.

Like a number of historic block grant-based reforms, 1741 operates from the theory that there can be a trade-off between frozen or reduced funding on the one hand and increased flexibility on the other. If you cannot have more money (or even the historic level), at least you can have more control over what you have.

For those who value the input of low income persons in decision-making and who hope to see increases in citizen participation generally, it is important to remember that California has counties that are as big as many states. "Local" in California is still big and the challenge to reach closer to the city, town, and neighborhood levels will be ahead for the 1741 counties.

Although it is too early to say whether 1741 will create positive change, it is important to note that this legislation represents a shifting in permanent authority, as opposed to a temporary waiving of a particular regulation, or a voluntary agreement to work together more cooperatively.

It also remains to be seen just how much real flexibility counties will have in California's state-supervised service delivery system, how bold counties will be in utilizing the flexibility offered, and whether and when these changes will go beyond a few counties to become the state's norm. Nonetheless, 1741 may represent a dramatic shifting of formal authority from one level of government to another in the nation's most populous state. It is an example of a

focus on state to local government delegation, as opposed to newly created governance mechanisms.

Iowa Decategorization

The Iowa decategorization effort, begun in 1988, sought to reduce the rates of out-of-home placement of children, particularly from the child welfare and juvenile justice system, and sought to give local communities the increased funding flexibility necessary to create community and in-home alternatives. Scott County was the original pilot in an effort that has expanded to nine counties.

Decategorization allows the county, the Iowa Department of Human Resources, and the 7th Judicial District to jointly plan and implement those services believed to be most effective in preventing excessive out-of-home placement and in supporting intact families. (Funds are not physically "pooled," i.e., no pot of money exists that represents the combined strategy. Rather each agency spends from its own budget in accordance with the agreed on plan.) It is reported that "de-cat" set the stage for increased communication among local and state actors, leading to increased communication and coordination. In perhaps a second-generation effort, the same set of participants, plus additions from education and health, is looking at other community issues including access to health care and excessive emergency room use, with support from the Robert Wood Johnson Foundation.

Two related statewide actions have impacted the de-cat counties: one, a "cap" on the amount of residential care usage and expenditures, has had the effect of increasing the pressure toward community care, but at the cost of local discretion. The other, a major utilization of the Early and Periodic Screening Diagnosis and Treatment (EPSDT) program as a service system entry point, has raised statewide federal receipts, has created new administrative challenges, and has added a new set of actors in case planning and decision-making.

Virginia's Comprehensive Services Act

Following the recommendations of a cross-secretarial interagency council, and after a relatively brief period of demonstrations, the Comprehensive Services Act was enacted in 1992 and took effect in 1993. The Comprehensive Services Act created a statewide pool of funds made up of funding that had historically supported out-of-home and institutional care in the foster care or special education systems. The pool, initially totaling in excess of $100 million, was allocated to newly formed Community Policy and Management Teams (CPMT), made up of local agency heads, as well as provider and consumer representatives. The target population for services is youth at risk of placement, and a Family Assessment and Planning Team, again with cross-agency representation, functions as the clinical, case-planning vehicle that reports to the CPMT. Given the allocation, local teams are able to divert funds from out-of-home placement usage toward in-home and community-based care.

Some forms of out-of-home care—in the state delinquency institutions and psychiatric hospitals—were not made a part of the original funding pool. In addition to the funding pool

itself, Virginia has created a Children's Trust Fund to support some of the transition and start-up funding needs that often seem to thwart service delivery transitions.

Virginia's very rapid movement from pilot to statewide implementation, particularly in contrast with Iowa, raises interesting questions about implementation pace, building reform on mandates versus voluntary efforts, and related strategies.

Wisconsin's Community Aids

Wisconsin's Community Aids, a remnant of the 1970s movement toward service integration, is not a demonstration but has long been the normal way of doing business. Under Community Aids all counties receive the bulk of their human service funding through block grants totaling in excess of $300 million per year. Two-thirds of Community Aids dollars are from state general purpose revenues, and the remainder are from federal sources including Title XX and other block grants. Counties add approximately 10 percent to match the pot and appropriate an additional $100 million as an "overmatch." It is estimated that nearly 80 percent of the Community Aids allocation is "nonearmarked," i.e., it can be used to provide a wide range of human services to a wide range of target populations.

At the county government level a majority of Wisconsin's counties, including the most populous, are organized into human services boards and human services departments, which are the recipients of Community Aids. These function as local level umbrella agencies, providing and purchasing services for children and families, the elderly and disabled, the mentally ill, the mentally retarded, the juvenile corrections system, and others.

Schools are left out of the Community Aids process because they are not part of a county-state process, which is all that Community Aids covers. Any county-city or county-school district collaboration is a part of other more localized processes.

Wisconsin may represent the broadest and most firmly institutionalized delegation of human service decision-making from a state to local government level. Community Aids is included here for three reasons: (1) as a reminder that there may be noteworthy things going on that are not the result of a recent demonstration or well-publicized pilot project, (2) because it may hold lessons in how actually to get past the categorical hurdles in the human service system, and (3) because it is such a broad delegation that it may test our commitment to delegation. Community Aids allows counties in Wisconsin broad discretion in the emphasis they place on competing target populations, i.e., funding can move from the elderly to children or children to the mentally retarded in a given county. Advocates for delegation of decision-making, who approach from a child/family base, need to consider how far they would go.

Tennessee's Children's Plan

The Tennessee Children's Plan represents that state's commitment to reducing out-of-home care and particularly institutional care. Like Iowa and Virginia, Tennessee saw excessive usage of this treatment intervention and the resultant costs. Tennessee's approach is similar in some ways to Iowa's and Virginia's but differs in that it is not a state-to-county transfer.

Rather, the Tennessee Children's Plan stresses improved gatekeeping and assessment/case planning processes, improved system management, maximization of federal funding, and reallocation of funds toward community-based alternatives and family preservation programs--all within the state-operated service delivery system. It is an initiative spurred primarily by the governor's office and by the state budget office.

Tennessee has collapsed a number of funding sources, from a number of state agencies, into a single children's fund account and has explored a number of innovative rate setting and managed care processes under TennCare, its alternative to Medicaid.

Discussion

In a number of states a reexamination of the state-local relationship is a critical ingredient in discussions of service delivery reform. Local government is seen as an integrating force, capable of knitting together multiple programs and the funding streams that support them. This, of course, is most prevalent in states in which human service systems have a "county administered" tradition. (In other states, the most significant human service reform in our lifetimes occurred when the state took control away from the incompetent, corrupt, and punitive counties.)

In several instances the most significant state level financing activity, accompanying the state-local authority issues, is the establishment of gatekeeping systems, community alternatives, pooled funding, and fiscal incentives to stem the tide, in a number of systems, of expensive and (some believe) unnecessary out-of-home and institutional care for children. Care for these children in a community setting and services to their families are often seen as requiring multidisciplinary and multiagency coordination.

Outcomes, Accountability, and Budgeting

The "outcome" discussion is often a companion to the state or local government delegation discussion. We speak of asking a higher (bigger) level of government to turn over, or share, authority that it has held exclusively in the past. The appeal of turning over authority to those closer to the problem draws strange bedfellows. Conservative and liberal supporters like the idea for perhaps different reasons, but enthusiasm is often tempered by skepticism about the ability to grant flexibility without being irresponsible. Some suggest that "outcome accountability", i.e. measuring not process compliance but program effectiveness, may hold the key.

Two such state level efforts, in Oregon and Minnesota, offer early but interesting experiences.

Oregon's Benchmarks

The Oregon Benchmarks effort began in 1988, with the actual benchmarks being published in 1991. This effort, supported strongly by a number of key state and locally elected officials, has thus far served to focus attention on outcomes, to point to priority areas (urgent benchmarks), and to suggest the importance of measuring incremental progress.

Recent legislation required state department heads to present their budget requests with reference to the benchmarks and what progress toward them could be expected. On a voluntary basis a number of local governments, most notably Multnomah County, have adopted a local version of the benchmark process and created county-based children and family commissions.

At the state level the Oregon Progress Board (OPB) publishes the benchmarks, and the OPB members, including the governor serve as a forum, a neutral convenor for discussions about the state's direction. The Oregon process acknowledges the difficulty and complexity of really tying outcomes measurements, performance assessments, and funding together into a practical process, but the staff of OPB believes that important progress has been made to date and important support gained. Change has been incremental and requires considerable capacity building.

Minnesota Milestones

Minnesota's reform efforts include a Governor's Executive Children's Cabinet, grants to 51 communities for collaborative planning toward integrated services, and an increased emphasis on outcomes--reaching the "milestones" that come out of a statewide goal-setting process. These are very public indicators of progress and performance (an annual report can be accessed on-line or at the public library), and the hope is to tie these indicators to performance-based funding in the future.

Minnesota's governor, seeing 250 state-funded programs spread across 33 state agencies, councils, and task forces, proposed the creation of an omnibus Department of Children and Education Services. This bold reorganization proposal was rejected by the legislature. Failing that, Minnesota created a Children's Cabinet, which is preparing cross-agency priority areas for the next legislative session. These will be identified for coordinated action, pooled funding, redirection of available funds, and targeting of any new funds.

A key to the further development of Minnesota's efforts is the progress of family service collaboratives, bodies made up of at least a school district, a county government, and a public health entity, in combination with citizen and community organization involvement. The hope is to tie outcomes to funding in ways currently under discussion and ultimately to shift additional authority to these local collaboratives, monitored by the state using the milestones--by outcome (rather than process) goals.

Taken together, the establishment of publicly supported indicators of progress, increased interdepartmental collaboration, and local planning bodies is seen as setting the stage for delegation of added responsibility to localities.

Discussion

The outcomes discussion is an exciting part of the service delivery reform discussion, but as regards cross-system measurement and an application to funding, it is clearly still at a "discussion" stage. Staff in both Oregon and Minnesota describe the positive benefits that raising awareness about outcome measures has on planning and on budgeting, but a more

direct linkage between performance, outcomes, and the allocation of funds--done in a systematic manner--has yet to be demonstrated across systems.

Efforts to Create Cross System Decision Making Bodies

Across the country efforts are under way to bridge the gaps between systems and to bring new actors to the decision-making table. Such efforts often take the form of the creation of "collaboratives," which most often are a form of public/private partnership designed to bring together major education/human service institutions in concerted action to improve family/children's services. In most instances the collaboratives lack the formal legal authority to make these changes. However, the authority of the constituent institutions, each operating in its own sphere with its own statutory authority, coupled with the financial and political clout of business leaders has made some collaboratives powerful and influential forces.

In some efforts it is the implicit or explicit hope that, having demonstrated the efficacy of cross-system decision-making and more coordinated service delivery, the informal collaboratives and the demonstrations they have overseen will result in more permanent organizational structures. Often the transformation process, i.e., the path a collaborative project takes to become a permanent more formal governance body, is less than clear.

In addition to working across service delivery systems, a number of collaboration efforts aspire to bring community representatives "to the table," i.e., into the decision-making process. Representatives of parent groups, neighborhood resident , and, in some cases, youth themselves have been included on cross-system collaborative bodies. In other efforts neighborhood-based planning and oversight bodies have been created with the intent to gradually devolve authority over resources to these bodies.

Savannah Youth Futures Authority

One of the sites of the Casey Foundation's New Futures Initiative, Savannah's Youth Futures Authority (YFA), has made a great deal of progress in galvanizing community support and has attracted broad local, state, and private funding for a variety of children/youth/family efforts. After seven years in Savannah most efforts are conducted with at least some involvement of the YFA, a cross-system public/private collaborative with considerable community support.

Reform of the financing of mainstream service delivery systems has not been a high priority in Savannah, which has focused instead on school reform, service coordination, and most recently on the creation of a comprehensive service center in one of Savannah's most needy neighborhoods. The neighborhood-based effort includes the creation of neighborhood governance structures and community development related efforts. The move toward neighborhood self-determination may move the YFA agenda toward greater concentration on funding reform than has been the case to date.

Savannah, like most other local level reform efforts, is in a difficult position for financing reform. Little, if any, of the authority necessary to fundamentally reform financing

systems is found in local communities. The majority of funding and the governance responsibility for most education and human services are at state and federal levels.

It is one of the ironies of finance reform that most agencies regularly fail to make effective use of the flexibility and options that already exist. A number of local efforts (Savannah's YFA, the Oakland Urban Strategies Council come to mind) have been able to influence local practice, encouraging local agencies to operate differently, and supporting them when they do. Getting local agencies to operate differently--to redeploy staff, to change emphasis, to act as though pooled funds already existed by sharing decision-making or at least consulting--may move the local effort closer to its goals than trying--beyond advocacy--to reform systems that are too far away to be subject to local pressures.

Family Investment Trust in Missouri

The Family Investment Trust (FIT) in Missouri is a not-for-profit corporation established to spearhead the continued development of a number of related state service system reform efforts. The vision is of state level multiagency coordination, support for local collaborative governing entities (exemplified by Kansas City's Local Investment Commission [LINC]) and an integrated community based service delivery model (exemplified by Caring Communities).

LINC, the Kansas City, Missouri, public/private collaborative has been key to the development of a renewed school-based clinic initiative and successfully advocated for a 10 year AFDC waiver, allowing wage supplementation, lengthened availability of child care and Medicaid benefits for those who achieve employment, and other innovations.

Caring Communities is a school-based and/or school-linked service delivery innovation effort. The prototype is Walbridge Elementary School in St. Louis. The next budget period will see increased funding (to a level of $24 million) allowing for expansion beyond the handful of existing sites. Funds are a combination of reallocation and capturing of Medicaid and other federal funding. New state funds for Caring Communities will come from the four departments that manage the initiative: mental health, social services, health, and education.

At the local level the intermediary governance structure between the state agencies and "the community" is uncertain for the long term. No formal structured entity exists. State staff involved indicate that work is needed to formalize and institutionalize the model at a larger scale. For example, although a role for a local body is contemplated, the term "local" needs further definition to account for urban versus rural realities. Funding structures, which can be jury-rigged for a pilot, need more definition at a multiple site or statewide implementation level.

The FIT staff speak of their realization that efforts, however successful, to go around systemic barriers do not produce permanent change and of their commitment to institutionalize some of the changes that are under way. In the next budget cycle, it is expected that the state budget will pool state funds and transfer them, along with authority, to local levels.

West Virginia's Governor's Cabinet on Children and Families

In West Virginia, state government has sponsored the development of Family Resource Networks, which are community-based not-for-profits with a mission of integrating children and family services. In 1990 broad and far-reaching legislation created the cabinet; authorized the transfer of funds between departments, the delegation of authority; and the development of interdisciplinary and interdepartmental standards, and created the Family Resource Networks.

While the legislation and state planners envision changes in the financing system--interdepartmental transfers, delegation of authority to the Networks, refinance, reinvestment, pooling--no major changes in financing have occurred. State staff speak of the importance of laying the groundwork before making major financing changes. Cross-system education, relationship building, and proven models are all needed.

Meanwhile, a number of comprehensive service models are being developed and gaining support. Cross-agency case management is a common feature, with some focused on efforts that are school based or school linked and others focused on family resource centers. Public housing projects are the subject of attention, as are early childhood development, school-to-work transitions, and multiproblem families. Through these efforts West Virginia hopes to build the experience base necessary to move broader reforms, including redefinitions of financing processes, with the Family Resource Networks as the hub.

Discussion

Perhaps the most difficult and most ambitious road to reform is the creation of a new "governance structure." One has the problem not only of deciding on the form of the new entity but also of figuring out what to do with the old system and how to dislodge it. The legitimacy of new structures and the understandable tentativeness with which financing issues are approached are closely intertwined.

What would be a better test of how firmly a new structure is in place than to consider giving it responsibility for the millions of dollars that are the responsibility of elected or appointed boards, councils, and other statutory entities? No one is there yet, it seems, either politically or technologically. Formal authority over funding requires a lot of boring things such as purchasing procedures and audit requirements.

Nonetheless, collaborative processes in a number of states and communities have proven influential in the informal processes that affect the allocation of funds. Whether these efforts move from influence to authority is the critical issue to unfold.

Efforts to Link Education with Human Services

A large number of the reviewed comprehensive reform efforts focus on increasing the coordination/collaboration between education and human services. In its most direct manifestation this is seen in school-based or school-linked services, although many of the

efforts we contacted see the school-based service activities as the beginning of a more overarching move toward comprehensive service delivery.

We looked at six efforts where the school/human service connection was at least part of what was going on:

- Family Resource Schools in Denver
- Healthy Start Initiative in California
- School-Based Service Program in New Jersey
- New Beginnings on San Diego
- Beacons in New York City
- Kentucky Education Reform Act

Family Resource Schools in Denver

Family Resource Schools are school based service delivery/service coordination efforts staffed by site coordinators and case managers who provide information and referral services, case management, and other services. The schools were thinly funded by foundation grants, and it was hoped that the city and school district would soon pick up program costs of roughly $50,000 per school. This hope has dimmed as a result of budget constraints.

Healthy Start Initiative in California

On a much larger scale this statewide initiative made grants to individual schools and school districts, as a result of a competitive process. Planning grants were made for one to two years, while larger operational grants were made to the most advanced efforts for three years. Funds were described as "glue money," bespeaking a focus on reallocation of existing funds with any such reallocation to be voluntary on the part of local agencies and funders. In a number of California counties the same institutions and actors who came together around Healthy Start are pursuing 1741 designation as a next developmental step.

Long-term financing of the Healthy Start sites is not provided directly in state legislation. Rather the key to survival is dependent on school systems and their human service partners successfully finding other funding. Implementation of the "Medicaid billing option," which is expected to allow for federal matching of already budgeted state and local funds, is the most likely vehicle at this time.

School-Based Service Program in New Jersey

One of the earliest efforts reviewed (1987), the School-Based Youth Services Program (SBYSP), created 30 school-based service centers offering health, mental health, family counseling services, substance abuse counseling, and youth employment services. Some diversity exists among the sites, which are primarily high schools, with some also offering recreation, day care, hot lines, and a variety of other services.

The SBYSP was originally funded by a state appropriation of $6 million, which has grown slightly over time, despite significant cutbacks in state budgets. A local match of 25

percent is required and some individual sites supplement the $200,000+ state grant with Medicaid, public health funds, or other sources. Given a steady funding source and being its own line item, SBYSP was not driven toward finance reform for its survival. Although expected growth has not materialized and funds are insufficient to offer fully comprehensive services at all sites, SBYSP has shied away from Medicaid maximization, seeing an administrative burden and a too categorical influence emerging.

New Beginnings in San Diego

New Beginnings set out with the expressed hope of capturing current categorical expenditures and turning them to more effective use: better coordination, earlier intervention, and elimination of administrative duplication. One of the earliest activities of New Beginnings was to identify the costs of each of the participating agencies for serving the children at Hamilton Elementary School, the New Beginnings site. Although the high level of costs and high degree of common clientele was impressive and helped to support the case for coordinated service delivery, this did not result in significant changes in the financing of services. Nor has sufficient funding been developed to "go to scale."

Veteran New Beginnings participants believe the financing part of the agenda did not progress for the following reasons: the lack of full-time staff; the need to build trust and common knowledge among the agencies; the size and budget diversity of the agencies involved--putting some at risk and others not; and the multitude of entities and governments in the discussion.

In addition, the whole effort was taking place amidst dramatic budget cuts in all the service systems. Although it is easy to say and seems logical that a budget cutting environment is perfect for finance reform, the San Diego experience argues that such an environment increases defensiveness and decreases the willingness, time, and energy available to take risks.

The happy ending--so far--is that San Diego is very much involved in the 1741 process, planning for a decategorized environment, and has not given up the fight.

Beacons in New York City

The Beacons are a New York City innovation that utilizes public school buildings after school, in the evenings and weekends, as the site of a wide variety of community services. The Beacons themselves are funded essentially by city dollars, although in some instances these funds are used to draw down state or federal matching funds.

Beacons are alive and well in a budgetary atmosphere in New York that is extremely threatening. Beyond their inherent appeal as sensible and creative service delivery centers, the structure behind the Beacons may contribute to their survival. An Interagency Coordinating Council for Youth, made up in part by the directors of a number of city agencies, provides a multiagency base of support. The 37 Beacons exist in each of the city council districts. They are allied with the community school boards and each has a community advisory board made up of the school principal, teachers, parents, youth, and others. Some Beacons also relate to the planning bodies for the New York State

Neighborhood Based Alliance (as does the Comprehensive Community Revitalization Program [CCRP] in the South Bronx, discussed later).

The financing of the Beacons and of the programs that exist in and around them offers a lesson about the creativity, savvy, and entrepreneurship of neighborhood-based community organizations in making sense out of the chaos of current funding structures. Visiting a Beacon and seeing the activity there, it would not be obvious that the health and education and recreation and meals all come as a result of separate funding streams, from different levels of government and the bureaucracies within them. Rather, it is somehow knitted together into something that looks whole.

Kentucky Education Reform Act (KERA)

Kentucky, under KERA, dramatically changed the level of funding for education and the financing and oversight relationship between the state and local school districts and created equity of funding between poorer and richer districts. This paper is not focused on the "education side" of KERA but rather on its cross-agency comprehensive agenda.

What makes KERA more than a one-system reform initiative (albeit with deep and important changes under way in that system) are the companion efforts to create Family Resource and Youth Service Centers (FRYSC). In an odd governance arrangement FRYSC are governed at the state level by the Cabinet for Human Resources but are operated locally by school districts with school personnel.

Funding for the FRYSC represents new money in the system rather than redeployed resources from the health or social service systems. Attempts to pool funds or commingle staff or out-station existing staff in school buildings--discussed in other states--are not part of KERA/FRYSC planning. As with a number of the other examples--New Jersey, California--KERA does not attempt to alter the governance or structure of mainstream human service funding as a part of its school-linked service agenda.

Discussion

While these are very different efforts--some state, some local, some much more all encompassing than others--they all share the characteristics of trying to strengthen the school-human service linkage and of needing to figure out how to pay for it. In a number of instances long-term much less permanent financing is not in place even for the pilot-level efforts. A number of sites display symptoms of Medicaid dependency. In a number of situations there are troubling ongoing governance problems that are not worked out, i.e., how service delivery linkages would be governed when and if the effort moved beyond a pilot stage.

It is incontrovertible and significant, that efforts of this sort often increase coordination, improve communication, and, not incidentally, help kids. They also create a familiarity, in the eyes of policymakers and broader audiences, with joint efforts, combined task forces, and multiagency and multisector projects and goals. The impact of this familiarity, however, may cut two ways:

- It may make it easier to picture additional comprehensive integrated action and in so doing set the stage (demonstrate the efficacy) for broader and more ambitious reforms.
- It may create a picture of permanent structures coming together informally and voluntarily, out of goodwill, into a temporary and informal cooperative effort and, in so doing, undercut the need for real structural reform.

From a strictly financing point of view, none of the school-linked service efforts offers many lessons. They are funded, typically, at a pilot project level--neither reaching all the schools or all the kids in school--with either soft and temporary money from foundations or state government, or they are funded with jury-rigged Medicaid funds redefined to cover a continually expanding array of services for eligible children. Whether soft money, pilot money, or Medicaid, the school-linked efforts we reviewed do not significantly change the structure or flow of health, social service, or education funding.

Efforts at the Neighborhood Level

A number of well-known neighborhood and multineighborhood efforts were reviewed. In each case the familiar story of local people trying to make sense of a nonsensical funding structure emerged. In each case financing and governance structures are believed to be in the way--sometimes an aggravation, sometimes a time-waster, sometimes an insurmountable barrier, but always in the way.

Lafayette Courts

At Lafayette Courts in Baltimore, services to a housing project are supported primarily by Community Development Block Grant (CDBG) funds, which are granted annually. These funds support a small multidisciplinary team serving 750 families.

Center for Family Life

An exemplar of comprehensive neighborhood service delivery, the Center for Family Life in Brooklyn is supported by funds from three New York City agencies and 32 corporate or foundation funding sources in addition to resources that are in-kind, volunteer, or come as a result of cooperative agreements.

Comprehensive Community Revitalization Project

The Comprehensive Community Revitalization Project (CCRP)in the South Bronx, New York is funded by multiple foundations to increase the involvement of strong well-established Community Development Corporations in more holistic (beyond housing) revitalization. Again, we see creative entrepreneurial use of private money to leverage public funds, smart local players seizing public and private funding opportunities, and in this case the prospect of some interplay between housing resources and education, health, human services funding in new ways.

The Austin Project

Defying categorization, the Austin (Texas) Project (TAP), launched in 1992, is attempting to operate at all levels--its Empowerment Zone plan paints a neighborhood, city, state, and federal picture with long-term planning and financing. It boldly seeks waivers of a great many state and federal regulations and proposes the creation of an annual $100 million pool of decategorized funds, supporting a 15 to 20 year transition of service delivery toward prevention. TAP also requests that funding be provided "without penalty for success," i.e., that funds allocated for public assistance not be removed from Austin when/if the number of recipients is reduced as a result of economic development. TAP is also seeking local government and private support for its long-range Strategic Planning for Urban Revitalization (SPUR).

Much of Austin's plan is preimplementation at this time and is dependent on approvals and designation under discussion and review. But Austin's work to identify specific barriers and the boldness of its aspirations are refreshing and useful beyond their local value.

Discussion

In each neighborhood case an idiosyncratic funding structure was invented by the program itself, made up of the useful pieces of existing funding systems. The immediate incentive and mission at the local and neighborhood level are to trick the system into giving what is needed to operate, without changing it fundamentally. A number of the localized reform initiatives are able, albeit awkwardly, to get done what is needed even within the current system. They do not change more than they have to, they do not create more opposition than they already have, and they are not often funded to do even the level of policy work or advocacy that they already do.

In the longer view the neighborhood revitalization/service integration efforts that attract positive attention play a critical role in the financing reform process by serving as examples of what integrated, flexible services look and feel like and by advocating effectively for necessary policy change.

OBSERVATIONS AND CONCLUSIONS

Are We on the Right Track? Two Views

After spending a few weeks reading about and talking to people engaged in a wide variety of reform efforts one comes away both impressed and depressed.

On the positive side, it is impressive and important to note how widespread the concepts of comprehensive and holistic services, decategorization, local collaboration, early intervention and prevention, and outcome accountability have become. It is impressive that widespread efforts are in place to pilot, perfect, and learn the practical lessons necessary to successfully implement systems that are built on these principles.

A thousand flowers seem about to bloom and some really wonderful people are working very hard in the garden(s). One must to be impressed by the number of soldiers in

this crusade--they are everywhere--and they are dedicated, creative, and knit together by a set of common beliefs, by a similarity of point of view, that is well enough established to be expressed in common and sometimes identical language.

On the downside, we need to face the reality that there is no city, neighborhood, school district, or state where, across education, social services, health, mental health, etc., any of the following are in place:

- Large amounts of service delivery resources are under the control of the children/families/residents who receive the services. Most efforts, even in their intent, stop far short of real control and are working toward increased input.
- Large proportions of funding can be taken across system lines--from education to child welfare or health, or health to child welfare--based on a local redefinition of priorities. It is true that communities can and do "trick the system," i.e., can redefine things that used to be called education and now are called health and can reallocate around the cracks in between systems, but communities cannot be out front and make significant changes.
- Significant funding exists which is "pooled," i.e., under the formal shared control of a number of agencies and can only be spent with their agreement, with the exception of the "out-of-home care" pools in Virginia, Tennessee, and perhaps other states.
- Large amounts of cross-system program funding are firmly tied to measurable child and family outcomes.

Why, with so much activity, is so little of the reform effort institutionalized to the point that financing systems are being changed?

We Are on Track, but We Need More Time

The easiest answer, and it may well be right, is that not much of the above exists yet simply because it is too early. Participants in a number of these initiatives speak to the length of time necessary to build trust, an information base, and proven models that need to exist before major changes are made in financing.

Nothing is more disruptive of the status quo, more threatening, and less capable of being finessed than a significant change in the financing system. Whether that change is a new purpose for old money or a new group having control over funds or one group/issue/service actually or potentially losing funds in favor of another, a financing change will attract attention and opposition well beyond what innovation in service delivery might engender. Strategically, if one is trying to build consensus and collaboration, some would argue that finance changes should not be made until absolutely necessary.

Very few of the initiatives we reviewed have, thus far, reached the point of broadly enacting a new form of service delivery that has to have a change in the financing system to operate. In most cases the effort is small enough, or localized enough, that it is possible to

allow unusual amounts of change--increased flexibility, use of funds for a not-normal purpose, changes in reporting systems--without needing to change the larger systems.

Most of the projects reviewed were themselves established without creating a ripple in the normal financing structure. The amount and type of resources needed could be and were provided by foundation grants, Medicaid expansions, or small state grants. In addition, they have been able to achieve their mission, so far, without needing to change any (or too many) of the normal rules. Since most have not yet gone to scale, they are able to operate within the normal financing system.

If this answer is correct, and we are on the right track and in time will wrestle with the financing devils, we are okay and need to keep at it. In this view the most helpful role for policy people and for The Finance Project is to help figure out in much greater detail than now exists just what the "new" financing system ought to look like. Very few efforts have as yet been able to get beyond general principles and down to either the operational details (How does the new system work day to day?) or the substantive details (If we agree to move money from reactive to preventive services, exactly how many dollars from what to what?). The lack of a clear picture of the "reformed system" threatens the pace of reform efforts and may cause a false sense of security since the strongest opposition often comes when the details are known.

More Time Is Only Part of the Problem

A far more disturbing thought is that the evolutionary approach commonly in play--voluntary collaboration, trust building, model development, and demonstration--is closer to an evolutionary dead end than we think. It may not be possible to get from here to there on this path.

Frequently, in discussion with initiative participants and in reading about these initiatives, issues of decision-making authority seemed fuzzy or were not addressed. Often the initiative was one in which the state agency or school district invites participation in decision-making--of other agencies or local communities or the provider community--but reserves, albeit quietly, final authority. Tremendous weight and expectation is placed on collaborative processes, a spirit of partnership, technical assistance, and lots of group process.

It is as though, given common objectives and goodwill, we can leave the decision-making authority part of our partnership ambiguous. As though we can work things out, often or always, without having to be so crude as to exercise authority against someone else's wishes.

The companion observation is that there seem in some instances to be a related squeamishness about ownership and responsibility for funding. In a number of instances "shared decision-making" over funding decisions is a bit of an overstatement--it is more about a hoped for feeling than about the mission or charge of legally constituted institutions. What really exists in some cases is consensus over how funds should be spent, and so the ownership and authority questions can, for now, be left unanswered. We need to consider as we develop and refine financing strategies that some may see a conflict between straight talk about who gets to decide when there is a disagreement and the building of comfortable and

cooperative interagency relationships. It may be that there is only so far we can go with models that are built on voluntary cooperation, the willingness of institutions and individuals to share, and a belief in the notion that we can make big changes while everybody wins.

It may be that decision-making by a trust-laden relationship model can only work in a small group setting, that you can avoid most formal authority questions at a neighborhood center level, maybe even at a small closely knit neighborhood level, but certainly not at a city or county or state level--not if what is being decided involves big money or lots of people or important issues. City, county, school district, and state governments were invented very specifically because real decision-making has to have structure, rules, and understood authority.

It may be that part of why financing change is so partial or so "in the future" for most comprehensive reform initiatives is that it runs counter to the essential consensus building strategy that fuels the initiative.

Some Thoughts on Next Steps and More Questions

Early or late, large scale comprehensive reform efforts have to deal with financing issues. In fact, if change can be made without changing the funding streams, the decision-making process, and the incentives, it probably was not major change after all. That said, what can be done that pushes the reform agenda?

More Discussion

More discussion, as tightly focused on the finance part of all this as possible, is clearly needed. Reaction to this and other Finance Project papers is eagerly awaited as is the submission of additional ideas and friendly (or not) arguments on the substance. We need to push ourselves and each other past the slogans.

Detailed Analysis and Documentation

In the work to prepare this survey paper we have identified pieces of "technology" that may be unique, be breakthroughs, or be useful to other jurisdictions--the details of Austin's review of needed waivers; the details of Tennessee's capitation process; Oregon's Benchmarks; CCRPs housing and human service mix; the details of how decision-making works around pooled funding; and the process ties under consideration to link outcomes and funding decisions. It may be that an all-star team of these technologies, pulled together, would point the way to what a whole model system could look like. In any case, communities and states could gain from increased knowledge of what is being tried.

Other Disciplines, Other Fields

We need to think about who else, from what other perspectives should be or is looking at these kinds of problems and thinking about them. Is there a history in some other field(s) that offers us something to learn?

What About Noncomprehensive Financing Changes?

Meanwhile, on another set of tracks, a number of actions have changed funding practices, for better or worse, in significant ways. The brief noninclusive list that follows has not resulted in changes that are usually described as comprehensive reforms. Yet, certainly, they are relevant to those served, and in some instances are extremely large--both in terms of dollars affected and individuals reached.

Some examples:

- The Earned Income Tax Credit has dramatically increased assistance to low income working families and has fairly quietly become the income transfer/cash assistance program of choice.
- "Educational equity" moved billions of dollars at state levels, and billions more were raised to get a deal that had statewide support: all coming as a result of court orders, not comprehensive reform initiatives, collaborative processes, or the enlightened self-interest of more well-to-do districts.
- Medicaid, which in its original and long-term form guaranteed "free choice of vendor" for its beneficiaries, moved state by state ever closer to the private health care system in its reliance on managed care and capitated rates.
- "Home and community based treatment waivers," under Medicaid, have created a much more level playing field in the pull and tug between institutional and community care for the disabled, including children.
- Family Preservation, while still unsuccessful in changing the incentives for out-of-home care at the federal level, has successfully attracted new or reallocated funds in state after state and engendered new, significant federal support.

Each of the above changed the purposes, regulations, or availability of very large amounts of funding, and in each case the changes are likely to be long lasting. What is the impact on cross-agency reforms and new forms of decision-making of these changes? Strategically, how do we assess the efficacy of strategies that seek to make positive changes, funding source by funding source, versus those that try to affect change across funding sources?

Piloting and Finance Reform

At all levels of government there are quite positive, if less than revolutionary, efforts to increase coordination between departments with overlapping concerns, responsibilities, or target populations. Typically the most ambitious are examples of what might be called "reform by demonstration," i.e., agencies that are progressive enough to volunteer to do so may compete for funds to pull two programs closer together.

The funding remains in the originating system--this is rarely an example of pooled funding--but decisions about the services to be delivered are made jointly and cooperatively. No structural change occurs, no agency lines are significantly weakened, the money is new so no redeployment is necessary, and no local agency is required to participate.

Often the hope is that the model will become the norm. But the model to be "institutionalized" at scale is unclear. The model, after all, is voluntary and is being done in the communities where it is mostly favored. "Taking it to scale" means everyone does it! Most importantly, for this discussion, the model does not need to solve the financing problems--everything from legal authority to audit rules to accounting principles--that a full blown permanent institutionalized reform needs to address. Service delivery pilots, as long as they do not get too big, can finesse the finance questions. The Finance Project is focused on innovations in financing. How do we construct "experiences," pilots if you will, of newly developed models that can be tinkered with, modeled, or perfected without excessive risk--without the risk of becoming marginalized?

Governance or Government?

Underlying a great many reform initiatives is the notion that changes are needed in governmental structure if we are to create an environment in which family centered, individualized, holistic service delivery can thrive. Consensus starts with the need for "change" and can very quickly end there as well. Individuals and institutions concerned with children and families split on a number of issues:

- the extent to which they favor deregulation, devolution of authority, and, if so, to whom, over what;
- their belief in the likelihood that federal, state, or local governments will delegate real authority to a collaborative body acting on behalf of the school board, the city council, or the county board, helping them to act in concert; or delegate real authority and decision-making to neighborhood groups; and
- at the center, whether they favor strategies that focus on the reform of existing governmental units, i.e, the school board, the city council, or the state legislatures, or favor strategies that work towards the creation of new governance entities.

Although these governance questions are not the exclusive or sole province of The Finance Project, it will be necessary to make some judgments or guesses about likely structure if we are to explore the central finance questions: who controls what funds, and with what kinds of restrictions, incentives, and requirements?

THE FINANCE PROJECT

The Finance Project is a national initiative to improve the effectiveness, efficiency, and equity of public financing for education and other children's services. With leadership and support from a consortium of private foundations, The Finance Project was established as an independent nonprofit organization, located in Washington, DC. Over a three-year period that began in January 1994, the project is undertaking an ambitious array of policy research and development activities, as well as policymaker forums and public education activities.

Specific activities are aimed at increasing knowledge and strengthening the nation's capability to implement promising strategies for generating public resources and improving public investments in children and their families, including:

- examining the ways in which governments at all levels finance public education and other supports and services for children (age 0-18) and their families;
- identifying and highlighting structural and regulatory barriers that impede the effectiveness of programs, institutions, and services, as well as other public investments, aimed at creating and sustaining the conditions and opportunities for children's successful growth and development;
- outlining the nature and characteristics of financing strategies and related structural and administrative arrangements that are important to support improvements in education and other children's services;
- identifying promising approaches for implementing these financing strategies at the federal, state and local levels and assessing their costs, benefits, and feasibility;
- highlighting the necessary steps and cost requirements of converting to new financing strategies; and
- strengthening intellectual, technical, and political capability to initiate major long-term reform and restructuring of public financing systems, as well as interim steps to overcome inefficiencies and inequities within current systems.

The Finance Project is expected to extend the work of many other organizations and blue-ribbon groups that have presented bold agendas for improving supports and services for children and families. It is creating the vision for a more rational approach to generating and investing public resources in education and other children's services. It is also developing policy options and tools to actively foster positive change through broad-based systemic reform, as well as more incremental steps to improve current financing systems.

RESOURCES FROM THE FINANCE PROJECT

Working Papers:

Reform Options for the Intergovernmental Funding System: Decategorization Policy Issues by Sid Gardner (December 1994)

School Finance Litigation: A Review of Key Cases by Dore Van Slyke, Alexandra Tan and Martin Orland, with assistance from Anna Danegger (December 1994)

Spending and Revenue for Children's Programs by Steven D. Gold and Deborah Ellwood (December 1994)

The Role of Finance Reform in Comprehensive Service Initiatives by Ira M. Cutler (December 1994)

Forthcoming Working Papers:

Equalizing Educational Opportunity: Past Efforts and the Challenges Ahead by Alexandra Tan and Martin Orland (Winter 1995)

Federal Funding for Children and Families: An Analysis of Trends and Patterns by Cheryl D. Hayes, Anna Danegger, and Elise Lipoff (Spring 1995)

Federal Funding for Education and Other Children's Services: Congressional Decisionmaking and the Budget Enforcement Act by Shirley Ruhe (Spring 1995)

Rethinking Block Grants: Toward Improved Intergovernmental Financing for Education and Other Children's Services by Cheryl D. Hayes, with assistance from Anna Danegger (Spring 1995)

Fiscal Capacity and Investments in Education and Other Programs for Children and Families: 50 State-by-State Trends and Projections by Steven D. Gold and Deborah Ellwood (Spring 1995)

Financing Early Care and Education: Meeting the Challenges Ahead by Cheryl D. Hayes and Sharon L. Kagan (Spring 1995)

Financing Comprehensive Services: Cases Studies of State Innovations by Ira M. Cutler, Ann Segal, and Alexandra Tan (Spring 1995)

Comprehensive Service Initiatives: A Compendium of Innovative Programs by Elise Lipoff and Anna Danegger (Spring 1995)